

# **MINUTES**

## **BUDGET WORK SESSION OF THE NEWTON CITY COUNCIL – MAY 27, 2010**

The third Fiscal Year 2010-2011 Budget Work Session of the Newton City Council was held on Thursday, May 27, 2010 at 5:15 p.m. in the Council Chambers at City Hall with the following present: Mayor Robert A. Mullinax and Council Members Wayne Dellinger, Mary Bess Lawing, Tom Rowe, Bill Lutz, Robert C. Abernethy, Jr. and Mayor Pro Tem Anne Stedman.

Also in attendance were City Manager Todd Clark, City Attorney Larry Pitts, City Clerk Beunice R. “Bootsie” Roberts, members of the Management Team, and City Department Heads.

### **PLANNING & ECONOMIC DEVELOPMENT:**

Finance Director Serina Hinson reported that the Planning & Economic Development recommended budget is \$221,250, a decrease of \$5,750 from the prior year. Mrs. Hinson said that there are no capital or non-capital expenditures recommended within the budget.

Finance Director Hinson reviewed thirty-three (33) line items from Salaries & Wages – Regular to Reserve.

The Council discussed the **Professional Services – Other, Education and Program Supplies, Code Enforcement Activities, GIS CO-OP Agreement, and Dues and Subscriptions** line items. Planning Director/Assistant City Manager Glenn J. Pattishall explained to the Council that the Professional Services – Other line item is associated with the Façade Grant and the Main Street Makeover Programs. He further explained to Council that the Education and Program Supplies are for the Stormwater Program and permit requirements in conjunction with working with other cities; that the Code Enforcement Activities amount for \$1,500 covered the mailing of notices during the year for specific meetings; and the GIS CO-OP Agreement line item involves participating with Catawba County in maintaining the GIS System. He said that the City would not participate in a flyover this year because of the cost factor and the economy.

Planning Director/Assistant City Manager Glenn J. Pattishall said that the Dues and Subscription line item included special material used for the Stormwater Program, which the Planning and Economic Development Department currently administers, and participating with local governments in the region to provide educational information to a broader audience and to give the City more exposure from a regional standpoint.

Mayor Mullinax commented that in the future, there might be a need to incorporate a Stormwater charge. He said that the Stormwater Program is a State, unfunded mandate and it would be prudent to keep track of the cost for the Stormwater Program from the beginning to the present. Planning Director/Assistant City Manager Pattishall said that a tracking system has been developed by his Staff and is currently being used.

Council Member Wayne Dellinger asked if the City had to participate in the Stormwater Program this year. Mr. Pattishall said that there is money in the budget for the

Stormwater Program. He said that if the City was not involved in a regional setting, that it could still meet the Stormwater requirements.

### **PLANNING – PARKING LOTS:**

Finance Director Serina Hinson reported that the Planning –Parking Lots recommended budget is \$7,950, the same as the prior year. Mrs. Hinson said that there are no capital or non-capital expenditures recommended within the budget.

Finance Director Hinson reviewed three (3) line items from Signs & Supplies – Rent of Land – Taxes.

Mayor Mullinax asked about the meetings schedule of the Off-Street Parking Committee. Council Member Wayne Dellinger said that the Off-Street Parking Committee has been meeting twice a year. He said that the Off-Street Parking Committee is finally making money.

No changes in the budget and no further discussion.

### **PUBLIC UTILITIES WATER & WASTEWATER FUND – REVENUES:**

Finance Director Serina Hinson reported that the Public Utilities Water and Wastewater Fund - Revenues recommended budget is \$6,123,200.

Finance Director Hinson reviewed thirty-eight (38) line items from Recovery of Bad Debts to Service Charge – Late Penalty.

The Council discussed the **Reimbursement of Cost, Water Tank Cellular Rentals, Sewer Charges – Inside, Sewer Charges – Septic Haulers, and Sewer Surcharge – BOD** line items.

Director of Public Works and Public Utilities Wilce Martin reviewed the line items in question. In regards to the Reimbursement of Costs line item, Finance Director Hinson said that it involved a contract with the City of Conover and for other reimbursements that the City receives.

Mayor Mullinax said that the water tank would stay up for one more year and asked the status of the tank rental. City Manager Todd Clark said that in regards to the Water Tank Cellular Rentals, that the Staff has had a company to express an interest in the tank in addition to the company currently renting the tank. In reference to the Sewer Charges – Septic Haulers line item, Director of Public Works and Public Utilities Martin said that the \$99,400 amount covers the private septic haulers within the County that come to the City's wastewater treatment plant to dump their tanks.

Council Member Wayne Dellinger questioned the Surcharge – BOD line item being decreased by half the amount in prior year. Director of Public Works and Public Utilities Wilce Martin said that the cost is for tests required for industrial users performed every five years, instead of every year. He said that there would not be a test this year. Mayor Mullinax questioned the decrease of \$3,375,950 in the recommended budget for Fiscal Year 2010-

2011. Finance Director Serina Hinson gave a breakdown of totals included in the difference, which were \$2 million from proceeds from the borrowing for the Burris Road Pump Station Project, the transfers from Capital Projects (\$352,950), revenue from operational expenses (\$242,700), and Retained Earnings (\$780,300) to total the \$3,375,950.

#### **PUBLIC UTILITIES WATER & WASTEWATER FUND – SPECIAL APPROPRIATIONS:**

Finance Director Serina Hinson reported that the Public Utilities Water and Wastewater Fund – Special Appropriations recommended budget is \$879,400, which is an increase of \$3,100 from prior year.

Finance Director Hinson reviewed six (6) line items from Other Utility Expense to Purchase for Inventory.

The Council questioned the **Inter-Department Charges – General Fund** line item for \$600,000. Finance Director Serina Hinson said that the Inter-Department Charges – General Fund is indirect charges where the Enterprise Funds are paying the General Fund for services performed within the General Fund for the Enterprise Funds. She said that the services performed affect departments such as, Administration, Governing Board, Finance, etc.

#### **PUBLIC UTILITIES WATER & WASTEWATER FUND – OPERATIONS:**

Finance Director Serina Hinson reported that the Public Utilities Water and Wastewater Fund – Operations recommended budget is \$1,842,050, which is a decrease of \$2,004,850 from prior year. Finance Director Hinson pointed out that prior year budget included the \$2,000,000 for the Burris Road Pump Station project (the expenditure side) and the true difference is \$4,850. Finance Director Hinson said that there are seven (7) non-capital items and two (2) capital items being requested within the budget.

Director of Public Works and Public Utilities Wilce Martin identified each non-capital item, gave the description, and need for each, as well as, for the two capital items.

Finance Director Hinson reviewed forty-seven (47) line items from Salaries & Wages - Regular to Reserve.

Afterwards, the Council discussed the following line items, **General Adjustment, Professional Service – Engineering, Distribution Supplies (Maintenance), Work Zone Safety Supplies, Fleet Maintenance Charges, and Capital Outlay – Other Equipment.**

Finance Director Serina Hinson said that the General Adjustment line item is associated with personnel changes. Director of Public Works and Public Utilities Wilce Martin said that the Professional Service – Engineering line item included the cost for a Water and Sewer Strategic Plan and Rate Study he had mentioned during the annual Council Planning Workshop. There was much discussion on the Water and Sewer Strategic Plan and Rate Study, which Council Member Wayne Dellinger recommended that the Staff wait on the study.

Mayor Mullinax said that the Water and Sewer Strategic Plan and Rate Study would be good if the City was in a cash flowing situation, but felt that it would be inappropriate at this time.

Council Member Mary Bess Lawing commented that a Water and Sewer Strategic Plan and Rate Study would validate the rates, and could help the Staff in explaining the “why” to citizens when there are proposed rate increases.

There was a brief discussion on the use of the equipment used in the work zone areas, the necessary repairs needed for old equipment, and funds needed for the capital outlay items such as the two trench boxes and the sewer camera.

#### **PUBLIC UTILITIES – WATER FILTRATION PLANT:**

Finance Director Serina Hinson reported that the Public Utilities – Water Filtration Plant recommended budget is \$1,498,550, which is an increase of \$9,850 from prior year. Finance Director Hinson reviewed thirty-seven (37) budget items from Salaries & Wages – Regular to Lease Purchase Interest. Mrs. Hinson said that there is one capital item – Raw Water Monitoring Equipment for \$10,000. The Council only discussed the **Professional Services – Engineering** line item. Director of Public Works and Public Utilities Wilce Martin said that the Professional Services – Engineering line item involves the Arc Flash Study requirements for all City facilities. City Manager Clark said that Robert Vise provided the cost for the study from Southeastern Consulting.

#### **PUBLIC UTILITIES – WASTEWATER TREATMENT PLANT:**

Finance Director Serina Hinson reported that the Public Utilities –Wastewater Treatment Plant recommended budget is \$1,460,000, which is a decrease of \$713,950 from prior year. Finance Director Hinson reviewed forty (40) line items from Salaries & Wages – Regular to Lease Purchase Interest, and said that there are no capital or non-capital items within the budget. Again, the Council questioned the **Professional Services – Engineering** line item. Director of Public Works and Public Utilities Martin said that the amount was also for the Arc Flash Study.

#### **PUBLIC UTILITIES – OTHER APPROPRIATIONS:**

Finance Director Serina Hinson reported that the Public Utilities –Other Appropriations recommended budget is \$443,100, which is a decrease of \$670,000 from prior year. Finance Director Hinson reviewed six (6) line items from Bond Principal to Reserve Future Debt Service. She said there are no capital or non-capital items recommended. No specific comments were made during this budget category.

#### **PUBLIC UTILITIES - ELECTRIC FUND REVENUES:**

Finance Director Serina Hinson reported that the Public Utilities – Electric Fund - Revenues recommended budget is \$13,016,800, which is a decrease of \$3,220,300 from prior year. Finance Director Hinson reviewed thirty-four (34) line items from Recovery of Bad Debts to Electric Sales Tax. A lengthy discussion was held on the **Electric Sales – Residential, Electric Sales – Coincident Peak, Electric Cities Real loc Fds Credit, Tier 1 and 2 Customer Relations Program, and Electric Sales Tax** line items. The discussion

involved the shortfall in revenues associated with the Target Distribution Center, electrical load projections, incentive packages, several revenues phased out (Tier 1 & 2), and industrial rate drop offs.

#### **PUBLIC UTILITIES - ELECTRIC SPECIAL APPROPRIATIONS:**

Finance Director Serina Hinson reported that the Public Utilities - Electric Special Appropriations recommended budget is \$808,650, which is a decrease of \$13,250 from prior year. Finance Director Hinson reviewed five (5) line items from Reserve for Liability Insurance Claims to Purchase for Inventory. Finance Director Hinson said there are no capital or non-capital items recommended. No specific comments were made during this budget category.

#### **PUBLIC UTILITIES - ELECTRIC POWER COSTS:**

Finance Director Serina Hinson reported that the Public Utilities –Electric Power Costs recommended budget is \$9,569,000, which is an increase of \$346,150 from prior year. Finance Director Hinson reviewed three (3) line items from 3% Electric Sales Tax to Renewable Energy Expense (REPS). She said there are no capital or non-capital items recommended. No specific comments were made during this budget category.

#### **PUBLIC UTILITIES – ELECTRIC OPERATIONS:**

Finance Director Serina Hinson reported that the Public Utilities –Electric Operations recommended budget is \$2,639,150, which is a decrease of \$259,800 from prior year. Finance Director Hinson reviewed forty-nine (49) line items from Salaries & Wages – Regular to Reserve. Finance Director Hinson said that there is one capital item – Service Truck - recommended for this budget category.

Mayor Mullinax asked for an explanation on the requested amount of \$1,504,600 in the **Capital Outlay – Distribution** line item. City Manager Todd Clark said that \$668,000 was for the new construction of electrical lines from Jacob Fork Park to Startown Road, \$717,900 for 4kV conversion in southwest Newton, and \$118,700 for a new line from the Wastewater Treatment Plant to Smyre Farm Road. Mayor Mullinax asked if the Staff has stopped the 10-Year Conversion Plan, which City Manager Clark said “yes.”

Director of Public Works and Public Utilities Wilce Martin said that this is the City’s seventh year for the conversion project. Mayor Mullinax said that it would be beneficial to the Council to receive a summary of where the City has been with the 10-Year Electrical Conversion Plan because it was a major undertaking. He said that the plan was initially to be \$1 million per year for ten years, and recommended that the Staff present information on (1) What the City has spent, (2) Where the City has converted, and (3) Where the City is now.

#### **PUBLIC UTILITIES – ELECTRIC FUND OTHER APPROPRIATIONS:**

Finance Director Serina Hinson reported that the Public Utilities –Electric Fund Other Appropriations requested budget is \$410,500, which is a decrease of \$9,600 from prior year. Finance Director Hinson reviewed three (3) line items from Reserve to Transfer to Capital Projects. She said there are no capital or non-capital items recommended. No specific comments were made during this budget category.

After the Staff distributed information requested by the Council from previous budget work session meetings, Mayor Mullinax recessed the May 27, 2010 Budget Work Session until 5:15 p.m. on Tuesday, June 1, 2010 in the Council Chambers at City Hall for the fourth Fiscal Year 2010-2011 Budget Work Session.

Respectfully submitted by:

Robert A. Mullinax, Mayor

Beunice R. (Bootsie) Roberts, CMC/City Clerk